

Message Text

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TO AMEMBASSY PRETORIA PRIORITY

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FOLLOWING REPEAT STATE 155396 ACTION ANKARA BANGKOK BANJUL
BELGRADE BOGOTA BONN BRASILIA BRUSSELS BUCHAREST
BUENOS AIRES CAIRO CANBERRA CARACAS COPENHAGEN DACCA
DAMASCUS DUBLIN HELSINKI ISLAMABAD JAKARTA JERUSALEM JOHANNES-
BURG KUALA LUMPUR LAGOS LONDON MADRID MANILA MEXICO
MONTEVIDEO NEW DELHI OSLO OUAGADOUGOU PARIS REYKJAVIK
ROME SAN SALVADOR SANTIAGO STOCKHOLM TAIPEI TANANARIVE TEHRAN
THE HAGUE TOKYO VIENNA WELLINGTON NATO OECD PARIS USUN NEW
YORK 1 JULY.

QUOTE

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E.O. 11652:N/A

TAGS: EAID,EFIN,AORG,IMF,IBRD

SUBJECT: WORLD BANK/IMF PROPOSALS TO INCREASE EXECUTIVE
DIRECTORS AND ALTERNATES SALARIES

REF: (A) STATE 84204: (B) STATE 154220

SLUG FOR TREASURY/BUSHNELL

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1. EMBASSIES REQUESTED FORWARD TO HOST GOVERNMENT GOVERNORS OF IBRD AND IMF LETTER FROM TREASURY SECRETARY SIMON CONTAINED IN PARA 6 BELOW. IN ADDITION PLEASE CONTACT APPROPRIATE HOST GOVERNMENT OFFICIALS AND EXPLAIN U.S. POSITION DESCRIBED BELOW IN OPPOSITION TO IBRD/IMF RESOLUTIONS CONCERNING EXECUTIVE DIRECTORS AND ALTERNATES COMPENSATION, ON WHICH BANK AND FUND HAVE REQUESTED GOVERNORS' VOTES NOT LATER THAN JULY 23. APPROACH SHOULD SEEK SIMILAR NEGATIVE ACTION BY HOST GOVERNORS. PLEASE REPORT REACTIONS TO U.S. POSITION.

2. COMMITTEE ON REMUNERATION OF IBRD/IMF ED'S AND AED'S HAS RECOMMENDED TO BOARDS OF GOVERNORS THAT ED'S COMPENSATION BE RAISED BY DOLS. 3,500 AND AEDS BY DOLS. 2,800. SPECIFICALLY ED'S SALARIES TO BE RAISED DOLS. 3,000 TO DOLS. 40,000 AND EXPENSE ALLOWANCE INCREASED BY DOLS. 500 TO

DOLS. 5,500. AED'S SALARIES TO BE RAISED BY DOLS. 2,400 TO DOLS. 31,400 PLUS EXPENSE ALLOWANCE INCREASED BY DOLS. 400 TO DOLS. 4,400. IN ADDITION, LIBERALIZED MODIFICATIONS IN SPOUSE AND EDUCATION ALLOWANCES RECENTLY ADOPTED FOR ENTIRE STAFF ARE PROPOSED FOR ED'S AND AED'S.

3. AS EXPLAINED IN REFTEL USG CONCERNED THAT EXCESSIVE IFI SALARIES ARE ERODING CONGRESSIONAL SUPPORT FOR THESE INSTITUTIONS. USG CAMPAIGN AT TIME OF STAFF SALARY INCREASE EXERCISE PRODUCED MODEST REDUCTION IN IMF AND IBRD PROPOSALS AS WELL AS FREEZE ON ALL IBRD SALARIES IN EXCESS OF DOLS. 38,500 NET. SUCCESS IN CONTROLLING THESE

SALARIES WOULD BE SUBSTANTIALLY UNDERMINED BY CURRENT PROPOSALS FOR ED'S.

4. US CONSIDERS CURRENT LEVEL OF ED'S REMUNERATION MORE THAN ADEQUATE FOR RESPONSIBILITIES. ED'S CURRENT NET REMUNERATION OF DOLS. 42,000 (DOLS. 37,000 SALARY PLUS DOLS. 5,000 FOR EXPENSE ALLOWANCES PLUS DEPENDENCY ALLOWANCE OF DOLS. 1,100 FOR SPOUSE AND TWO CHILDREN) GROSSES UP TO AN EQUIVALENT OF DOLS. 74,000 UNDER US FEDERAL AND STATE TAX SYSTEM. US CABINET MEMBERS RECEIVE DOLS.60,000 LIMITED OFFICIAL USE

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GROSS AND WE BELIEVE ONLY FEW IMF OR BANK GOVERNORS'

SALARIES EXCEED THOSE OF US CABINET. AS NOTED IN LETTER, ED'S RECEIVED EFFECTIVE PAY RAISE OF DOLS. 5,000 NET JUST LAST JULY THROUGH DEVICE OF NON-ACCOUNTABLE EXPENSE ALLOWANCE.

5. EMPHASIZE POINT THAT REJECTION OF PROPOSALS WOULD

FORCE MODERATE ALTERNATIVE PROPOSALS. WE WOULD BE IN FAVOR OF PERMITTING ED'S TO BENEFIT FROM CHANGES IN SPOUSE AND EDUCATION ALLOWANCES RECENTLY PROVIDED OTHER EMPLOYEES WITHOUT DIRECT COMPENSATION INCREASE.

6. BEGIN UNCLASSIFIED. LETTER FOR TRANSMITTAL TO HOST GOVERNMENT IBRD/IMF GOVERNORS READS AS FOLLOWS: QUOTE

DEAR MR. GOVERNOR:

I AM WRITING TO YOU IN YOUR CAPACITY AS GOVERNOR FOR (HOST GOVERNMENT) TO URGE YOU TO VOTE AGAINST THE RESOLUTIONS INCREASING THE COMPENSATION OF EXECUTIVE AND ALTERNATE EXECUTIVE DIRECTORS IN THE WORLD BANK AND INTER-

NATIONAL MONETARY FUND (IF GOVERNORS IN TWO ORGANIZATIONS DIFFERENT ADJUST ACCORDINGLY).

IN MY LETTER OF APRIL 13, I EXPRESSED MY GOVERNMENT'S FEAR THAT THE STAFF SALARY INCREASES PROPOSED IN THESE ORGANIZATIONS WOULD DAMAGE PUBLIC AND LEGISLATIVE SUPPORT FOR THEIR OPERATIONS. THE SUBSEQUENT MODIFICATION OF THOSE PROPOSALS REFLECTED THE CONCERNS EXPRESSED BY MANY MEMBER GOVERNMENTS. I BELIEVE THE FREEZE ADOPTED ON SALARIES ABOVE US DOLS. 38,500 IN THE IBRD MAY BE OF SUBSTANTIAL ASSISTANCE IN ASSURING CONTINUED SUPPORT FOR THAT INSTITUTION.

UNFORTUNATELY, THE IMPACT OF THAT ACTION WOULD BE SEVERELY UNDERMINED IF THIS YEAR THE EXECUTIVE DIRECTORS OF THE BANK AND FUND WERE TO RECEIVE A DOLS. 3,500 INCREASE ON THEIR CURRENT COMPENSATION OF DOLS. 42,000 NET OF TAXES.

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WHILE RECOGNIZING THAT INFLATION AFFECTS SENIOR LEVEL OFFICIALS AS WELL AS OTHERS, WE BELIEVE IT WOULD BE MOST INAPPROPRIATE FOR EXECUTIVE DIRECTORS AND ALTERNATES TO RECEIVE A SALARY ADJUSTMENT THIS YEAR, PARTICULARLY AS IBRD SENIOR STAFF EARNING IN EXCESS OF US DOLS. 38,500 RECEIVED NO SUCH INCREASE. ALTHOUGH DIRECTORS' SALARIES, PER SE, HAVE NOT BEEN INCREASED SINCE 1972, NON-ACCOUNTABLE EXPENSE ALLOWANCES OF DOLS. 5,000 AND DOLS. 4,000 FOR DIRECTORS AND ALTERNATES WERE APPROVED ONLY LAST JULY. THE DIRECTORS CURRENTLY RECEIVE US GROSS EQUIVALENT SALARIES OF ABOUT DOLS. 74,000, WHICH EXCEED THOSE EARNED BY VIRTUALLY ALL GOVERNORS. THIS IS DIFFICULT TO EXPLAIN TO THE AMERICAN PEOPLE AND CONGRESS SINCE THE DUTIES AND RESPONSIBILITIES OF DIRECTORS ARE NOT GREATER THAN THOSE OF THE GOVERNORS WHOM THEY SERVE.

SUCH HIGH SALARIES CONFLICT WITH THE GENERAL VIEW THAT THE WORLD BANK IS AN INSTITUTION DEDICATED TO HELPING POOR COUNTRIES AND THAT THE IMF IS AN INSTITUTION WITH GREAT CONCERN FOR FISCAL AND MONETARY RESPONSIBILITY. AT A TIME WHEN MOST NATIONS FACE SERIOUS ECONOMIC PROBLEMS WITH SLOW ECONOMIC GROWTH AND SERIOUS BUDGETARY PROBLEMS, A LARGE INCREASE IN THE SALARIES OF OFFICIALS WHO ARE ALREADY AMONG THE HIGHEST PAID PUBLIC SERVANTS IN THE WORLD IS INAPPROPRIATE.

REJECTION OF THE CURRENT RESOLUTIONS WOULD PERMIT THE INSTITUTIONS TO PROPOSE AN ALTERNATE RESOLUTION GRANTING TO THE DIRECTORS THOSE MODIFICATIONS IN SPOUSE AND EDUCATION ALLOWANCES APPROVED FOR THE ENTIRE STAFF AND THOSE CHANGES IN RETIREMENT FINANCING RECOMMENDED SPECIFICALLY FOR THE DIRECTORS. THE UNITED STATES WOULD SUPPORT SUCH A RESOLUTION.

IT IS MY UNDERSTANDING THAT THE RESOLUTION REPRESENTS ONLY A RECOMMENDATION OF THE COMMITTEE ON REMUNERATION AND IS NOT A RECOMMENDATION OF IBRD AND IMF MANAGEMENT.

I WOULD APPRECIATE YOUR HELP IN SUSTAINING PUBLIC SUPPORT FOR THE WORLD BANK AND THE IMF THROUGH VOTING AGAINST THE PROPOSED RESOLUTION. I WOULD ALSO WELCOME ANY OBSERVATION LIMITED OFFICIAL USE

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CTIONS YOU MAY HAVE ON THE QUESTION OF EXECUTIVE DIRECTOR SALARIES.

SINCERELY YOURS,

WILLIAM E. SIMON

US GOVERNOR IBRD/IMF END UNCLASSIFIED UNQUOTE.

7. POSTS NOT DELIVERING PREVIOUS SIMON COMMUNICATION CONTAINED IN REFTEL A SUBSTITUTE FOLLOWING AS FIRST TWO SENTENCES IN PARA 2 IN LETTER. QUOTE MY GOVERNMENT HAS BECOME CONCERNED THAT EXCESSIVE SALARY INCREASES IN THE INTERNATIONAL FINANCIAL INSTITUTIONS MAY DAMAGE PUBLIC AND LEGISLATIVE SUPPORT FOR THEIR OPERATIONS. THE RECENT ADOPTION OF MORE MODERATE STAFF SALARY INCREASES IN THE IBRD AND IMF REFLECTS THE INFLUENCE OF SIMILAR CONCERNS EXPRESSED BY MANY MEMBER GOVERNMENTS. END QUOTE INGERSOLL UNQUOTE

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